



A Middlesex Water Company Affiliate

May 23, 2019

Via DelaFile Submission

Ms. Donna Nickerson
Secretary
Public Service Commission of Delaware
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: **In The Matter of the Application of Tidewater Utilities, Inc. for the Approval of the Semi-Annual Adjustment to the Distribution System Improvement Charge (DSIC) Pursuant to 26 Del. C. § 314 (b) (5)**

Dear Ms. Nickerson:

Tidewater Utilities, Inc. has submitted an application for an adjustment to the Distribution System Improvement Charge pursuant to 26 Del.C. § 314 (b) (5) through the Delafile electronic system. A payment of \$100 to satisfy the required filing fee was also submitted through the DelaFile system.

If you have any questions regarding the changes to this application, please contact me at (732) 638-7524.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Caputo".

Corporate Controller

Enclosures

cc: Andrew Slater, Delaware Public Advocate (Electronic Delivery)
Connie McDowell (Electronic Delivery)



STATE OF DELAWARE
THE PUBLIC SERVICE COMMISSION
CANNON BUILDING
861 SILVER LAKE BLVD., SUITE 100
DOVER, DELAWARE 19904

TELEPHONE: (302) 739-4247
TELECOPIER: (302) 739-4849

FILING COVER SHEET

1. NAME OF APPLICANT: Tidewater Utilities, Inc.
2. TYPE OF FILING:
- | | |
|----------------------|-------------------|
| RATE CHANGE | <u>X</u> |
| FUEL ADJUSTMENT | <u> </u> |
| ADMINISTRATIVE | <u> </u> |
| CPCN | <u> </u> |
| NEW SERVICE OFFERING | <u> </u> |
| OTHER | <u> </u> |

IF A TELECOMMUNICATIONS FILING, WHAT TYPE OF SERVICE IS IMPACTED:

BASIC COMPETITIVE DISCRETIONARY

3. PROPOSED EFFECTIVE DATE: July 1, 2019
- IS EXPEDITED TREATMENT REQUESTED? Yes NO
4. SHORT SYNOPSIS OF FILING Distribution System Improvement Charge
-

5. DOES THIS FILING RELATE TO PENDING DOCKETS: YES NO X

IF YES, LIST DOCKETS(S) NO(S):

6. IS PUBLIC NOTICE REQUIRED: YES NO X

IF YES, PLEASE ATTACH COPY OF PROPOSED PUBLIC NOTICE.

7. APPLICANT'S CONTACT PERSON: NAME: Robert Capko
TITLE: Corporate Controller
PHONE: (732) 638-7524
FAX: (732) 218-1126
E-MAIL: rcapko@middlesexwater.com

8. DID YOU PROVIDE A COMPLETE COPY OF THE FILING TO THE PUBLIC ADVOCATE?

YES X NO IF YES, WHEN? By electronic mail (May 23, 2019)

9. FILING FEE ENCLOSED: AMOUNT: \$100.00

NOTE: House Bill 681, enacted into law 7/13/98, authorizes the Commission to recover the cost of time spent by in-house staff to process all filings initiated after the date of enactment. You may be required to reimburse the Commission for staff time.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF	:	
TIDEWATER UTILITIES, INC. FOR THE	:	
APPROVAL OF THE SEMI-ANNUAL	:	Docket No. 19-_____
ADJUSTMENT TO THE DISTRIBUTION	:	
SYSTEM IMPROVEMENT CHARGE ("DSIC")	:	
EFFECTIVE JULY 1, 2019 PURSUANT TO	:	
DEL. C. § 314 (b) (5)	:	

Tidewater Utilities, Inc. ("Tidewater") a public water utility, regulated by the Delaware Public Service Commission ("Commission"), hereby petitions the Commission pursuant to 26 Del. C. § 314 (b) (5), for permission to reset its Distribution System Improvement Charge ("DSIC") effective July 1, 2019, which is no less than thirty (30) days from the date of this Application.

1. On November 26, 2018, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective January 1, 2019. Tidewater's application to reset the DSIC rate to 1.72% received Commission approval on December 20, 2018 by Order No. 9310, PSC Docket No. 18-1219.
2. On May 24, 2018, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective June 1, 2018. Tidewater's application to reset the DSIC rate to 1.24% received Commission approval on June 19, 2018 by Order No. 9237, PSC Docket No. 18-0346.
3. On November 20, 2017, Tidewater filed an application and on December 12, 2017, filed a revised application and accompanying schedules for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective January

- 1, 2018. Tidewater's application to reset the DSIC rate to 2.99% received Commission approval on December 21, 2017 by Order No. 9162, PSC Docket No. 17-1148.
4. On May 19, 2017, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective July 1, 2017. Tidewater's application to reset the DSIC rate to 2.43% received Commission approval on June 20, 2017 by Order No. 9073, PSC Docket No. 17-0330.
 5. On November 16, 2016, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2017. Tidewater's application to reset the DSIC rate to 2.44% received Commission approval on December 20, 2016, by Order No. 9004, PSC Docket No. 16-1067.
 6. On May 20, 2016, Tidewater filed an application and on June 17, 2016, filed a revised application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2016. Tidewater's application to reset the DSIC rate to 1.90% received Commission approval on June 28, 2016, by Order No. 8904, PSC Docket No. 16-0656.
 7. On November 19, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2016. Tidewater's application to reset the DSIC rate to 1.06% received Commission approval on December 15, 2015, by Order No. 8833, PSC Docket No. 15-1576.
 8. On May 21, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2015.

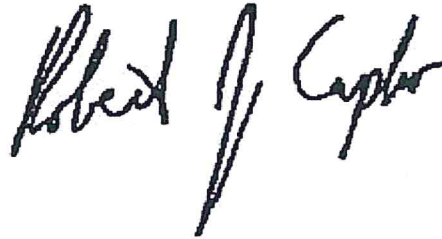
Tidewater's application to reset the DSIC rate to 0.37% received Commission approval on June 2, 2015, by Order No. 8747, PSC Docket No. 15-1000.

9. On November 14, 2014, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2014. Tidewater's application to reset the DSIC rate to 0.31% received Commission approval on December 16, 2014, by Order No. 8691, PSC Docket No. 14-0525.
10. Pursuant to 26 Del. C. § 314 (b) (5) Tidewater hereby requests Commission permission to reset its DSIC rate. The aforementioned section states that the DSIC rate shall be adjusted semi-annually for eligible distribution system improvements placed in service during the six month period ending two months prior to the effective date of changes in the DSIC rate. In this filing, Tidewater has included improvements, if any, placed in service for the six month period November 1, 2018 through April 30, 2019.
 - Attached are Schedules No. 1, 1A, 1B, 1C, 1D, 1E, No. 2 and 2A, which support the development of the DSIC rate. Schedule 1E shows the revenue true-up for the period July 2018 through December 2018 per PSC Docket No. 18-0346.
11. Also attached hereto as Schedule No. 3 is a draft Tariff Schedule of Rates, which reflects the proposed reset to the DSIC rate as July 1, 2019, arising in this Petition.
12. The proposed Tidewater customer rate adjustment, reflected by this application, is 2.80% and is expected to result in additional revenues of approximately \$461,625. The requested rate reset is less than a 5% increase in current rates of Tidewater customers and, as such, satisfies the requirements of 26 Del. C. § 314 (b) (7). Customers will be notified of this change with a statement that shall be printed on the first bill following the effective date of this change. The statement will indicate that the DSIC rate is 2.80% effective July 1, 2019.
13. Tidewater is prepared to provide the Commission with all reasonable information requested by the Commission with respect to this filing.

14. The utility contact person responsible for this Application is the signatory shown below.
15. The Division of Public Advocate has been served with a copy of this filing.

WHEREFORE, in light of the foregoing, Tidewater respectfully requests that the Commission enter an Order, pursuant to 26 Del. C. § 314 (b) (5), approving a semi-annual rate adjustment to the Distribution System Improvement Charge.

Respectfully Submitted,
TIDEWATER UTILITIES, INC.

A handwritten signature in black ink, appearing to read "Robert J. Capko". The signature is stylized with a large, looped "R" and a cursive "Capko".

Robert J. Capko
Controller
485C Route 1 South
Suite 400
Iselin, NJ 08830-3020
Telephone: 732-638-7524
Facsimile: 732-218-1126
E-mail: rcapko@middlesexwater.com

Date: May 23, 2019

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 1: Development Of Rate And Supporting Data

	PSC Sum of Closed Docket No.'s (A)	PSC Docket No. 17-1148 05/01/17 to 10/31/17	PSC Docket No. 18-0346 11/01/17 to 04/30/18	PSC Docket No. 18-1219 05/01/18 to 10/31/18	PSC Docket No. 19-XXXX 11/01/18 to 04/30/19	Current Filing DSIC Total
1 Net Utility Plant Additions (Schedule 2 and Schedule 2A)	\$ 4,562,922	\$ 405,009	\$ 57,884	\$ -	\$ 2,233,667	\$ 7,259,482
2 Net Accumulated Depreciation Reserve Change (Schedule 2A)	524,749	61,923	(1,298)	-	89,034	\$ 674,408
3 Net Change in Rate Base (Sum of Lines 1 and 2)	\$ 5,087,671	\$ 466,932	\$ 56,586	\$ -	\$ 2,322,702	\$ 7,933,890
4 Pre-Tax Rate of Return (Schedule 1A) Revised Pre-Tax Rate of Return (Schedule 1A)	13.18%	13.18%	9.87%	9.87%	9.87%	9.87%
5 Semi-Annual Pre-Tax Rate of Return (Line 4 divided by 2) Revised Semi-Annual Pre-Tax Rate of Return (Line 4 divided by 2)	6.59%	6.59%	4.94%	4.94%	4.94%	4.94%
6 Semi-Annual Investment Cost Recovery (Line 3 multiplied by Line 5)	\$ 335,279	\$ 30,771	\$ 2,795	\$ -	\$ 114,741	\$ 391,934
7 Semi-Annual Depreciation Expense (Schedule 2A)	\$ 40,972	\$ 5,294	\$ 1,298	\$ -	\$ 21,576	\$ 69,140
8 Semi-Annual DSIC Revenue Requirement (Sum of Lines 6 and 7)	\$ 376,251	\$ 36,065	\$ 4,093	\$ -	\$ 136,317	\$ 461,074
8A (Over)/Under Collected DSIC Revenue (Schedule 1B)		(8,000)	(111,862)			
8B (Over)/Under Collected DSIC Revenue (Schedule 1C)					(84,354)	
8C (Over)/Under Collected DSIC Revenue (Schedule 1D)						
8D (Over)/Under Collected DSIC Revenue (Schedule 1E)					551	551
9 Total Semi-Annual DSIC Revenue Requirement - Sum of Lines 8 and Lines 8A through 8G	\$ 375,077	\$ 28,065	\$ (107,769)	\$ (84,354)	\$ 136,317	\$ 461,625
10 Semi-Annual Projected Water Service Revenues (7/1/19-12/31/19)						16,500,000
11 Projected DSIC Rate Increase Percentage (Line 14 divided by Line 15)						2.80%
12 Maximum limitation in a twelve month period						5.00%
13 Overall limitation						7.50%
A Sum of previously closed PSC Docket No.'s 14-0525, 15-1000, 15-1576, 16-0656, 16-1067 & 17-0330.						

Schedule 1A: Pre-Tax Cost of Capital Based on Capital Structure Approved In Most Recent General/Base Rate Case

ORIGINAL METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-466				
	(A)			
	Weighted	Revenue	Pre-Tax	
	Cost	Multiplier	Cost	
Cost of Debt	49.04%	6.01%	2.95%	4.91%
Common Equity	50.96%	9.75%	4.97%	8.27%
	100.00%		7.92%	13.18%

(A) Used for rate setting in Order No. 7611, PSC Docket 13-466

REVISED METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-466				
	(B)			
	Revenue	Pre-Tax		
	Multiplier	Cost	(1)	
Cost of Debt	1.003009	2.95%	(Line 1 / Line 3)	2.96%
Common Equity	1.390616	4.97%	(Line 1 / Line 7)	6.91%
		7.92%		9.87%

(B) The Revenue Multipliers for determining the pre-tax cost of capital for debt and equity have been revised .
(1) The Revenue Multiplier for determining the pre-tax cost of capital for debt has been revised to exclude the gross up for income taxes.
(2) The Revenue Multiplier for determining the pre-tax cost of capital for equity has been revised for the lower corporate income tax rate authorized under the 2017 Tax Cuts and Jobs Act.

TIDEWATER UTILITIES, INC.				
CALCULATION OF GROSS-UP FACTOR				
Line No.	Description	(A) Order No. 8611, PSC Docket No. 13-466	(B)(2) Revised 2017 Tax Act	
1	Operating Revenues	1.000000	1.000000	
2	PSC Assessment @ .003 Operating Revenue	0.003000	0.003000	
3	Income Before State Income Tax	0.997000	0.997000	
4	State Income Tax @ 8.7%	0.086739	0.086739	
5	Income Before Federal Income Tax	0.910261	0.910261	
6	Federal Income Tax @ 34.0%	0.309489	0.191155	
7	Federal Income Tax @ 21.0%	0.600772	0.719106	
8	Income After Federal Income Tax	1.664525	1.390616	
	Gross Revenue Conversion Factor (1 / Line 7)			

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 1B: Over/Under Adjustment

<u>Docket No.</u>	<u>Underearnings (1)</u>
Q2-2017	(163,000)
Q3-2017	155,000
Total	<u><u>(8,000) (8A)</u></u>

(1) - Overearnings adjustment to Revenue Requirement
originally filed in PSC Docket No. 17-1148

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 1C: Over/Under Adjustment with Interest

Tidewater Utilities, Inc.
DSIC Reconciliation
For the 12 Months Ended December 31, 2017

Month	Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected	Interest	Over- Collection + Interest
January	[a] \$47,435	\$48,566	\$1,131	\$61	\$1,192
February	[a] 47,435	56,414	\$8,979	452	\$9,431
March	[a] 47,435	50,245	\$2,810	141	\$2,951
April	[a] 47,435	47,492	\$57	3	\$60
May	[a] 47,435	59,177	\$11,742	510	\$12,251
June	[a] 47,435	60,275	\$12,840	546	\$13,386
July	[b] 53,142	57,402	\$4,260	166	\$4,426
August	[b] 53,142	73,915	\$20,773	733	\$21,506
September	[b] 53,142	77,488	\$24,346	772	\$25,118
October	[b] 53,142	56,797	\$3,655	103	\$3,758
November	[b] 53,142	66,779	\$13,637	335	\$13,972
December	[b] 53,142	56,872	\$3,730	83	\$3,813
Totals	\$603,463	\$711,422	\$107,959	\$3,903	\$111,862 (8B)

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$284,610 per PSC Docket No. 16-1067 effective January 1, 2017. See Schedule 1C-a. originally filed in PSC Docket 18-0346 for detailed calculation

[b] Monthly amounts represent Semi-annual DSIC Requirement of \$318,853 per PSC Docket No. 17-0330 effective July 1, 2017. See Schedule 1C-b. originally filed in PSC Docket 18-0346 for detailed calculation.

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 1D: Over/Under Adjustment with Interest

Tidewater Utilities, Inc.
DSIC Reconciliation
For the 6 Months Ended June 30, 2018

Month	Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected	Interest	Over- Collection + Interest
January	[a] \$54,472	\$62,846	\$8,374	\$345	\$8,719
February	[a] 54,472	72,948	\$18,477	690	\$19,167
March	[a] 54,472	63,351	\$8,879	314	\$9,194
April	[a] 54,472	59,751	\$5,279	166	\$5,445
May	[a] 54,472	72,412	\$17,940	492	\$18,433
June	[a] 54,472	77,304	\$22,832	564	\$23,396
Totals	\$326,829	\$408,611	\$81,782	\$2,572	\$84,354 (8C)

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$326,829 per PSC Docket No. 17-1148 effective January 1, 2018. See Schedule 1D-a for detailed calculation

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 1E: Over/Under Adjustment with Interest

Tidewater Utilities, Inc.
DSIC Reconciliation
For the 6 Month Period July 1, 2018 to December 31, 2018

Month	Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected
July	[a] 35,483	\$33,652	(\$1,830)
August	[a] 35,483	41,535	\$6,053
September	[a] 35,483	37,817	\$2,334
October	[a] 35,483	36,133	\$650
November	[a] 35,483	35,416	(\$66)
December	[a] 35,483	27,790	(\$7,692)
Totals	\$212,895	\$212,344	(\$551) (8D)

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$212,895 per PSC Docket No. 18-0346 effective July 1, 2018.

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 2: Projects Placed Into Service And/Or Retired

Utility Plant In Service from November 1, 2018 to April 30, 2019

<u>Project Name</u>	<u>Description of Project</u>	<u>TUI Account #</u>	<u>Amount Applied for DSIC</u>	<u>Retirement Costs</u>
1. Meter Replacement	Replacement of meters which have reached their useful life.	BLKT.916	\$ 413,753	110,610
2. Rehoboth - Angola IC	Main installation project to improve reliability in the Rehoboth and Angola districts	02P-14-308	\$ 1,521,028	
3. Bay Colony Hydrants	Install main and hydrants within Bay Colony in order to provide fire protection in accordance with Fire Marshal Requirements	02P-17-303	\$ 409,497	
Total			\$ 2,344,278	\$ 110,610
Net Total			<u>\$ 2,233,667</u>	

Tidewater Utilities, Inc.
May 2019 DSIC Application to the PSC

Schedule 2A: Net Accumulated Depreciation

Utility Plant In Service from November 1, 2018 to April 30, 2019
Net Additions to Plant and Depreciation Expense

	NARUC A/C #	Amount	Depreciation Rate	Depreciation Amount
Wells & Springs	314	\$ -	2.37%	\$ -
Pumping Structures & Improvements	321	-	3.12%	-
Electric Pumping Equipment	325	-	3.17%	-
Water Treatment Equipment	332	-	2.89%	-
Storage Facilities	342	-	1.61%	-
Mains	343	1,711,791	1.43%	24,479
Services	345	-	2.12%	-
Meters	346	303,143	4.63%	14,036
Meter Installations	347	-	3.49%	-
Hydrants	348	218,733	2.12%	4,637
Total		<u>2,233,667</u> (1)		<u>\$ 43,152</u>
Semi-Annual Depreciation Expense				<u>\$ 21,576</u>

(1) - Net of associated retirements. See Schedule 2.

Accumulated Depreciation Reserve Change

Semi-Annual Depreciation Expense (above)	\$ (21,576)
Retirements (See Schedule 2)	<u>110,610</u>
Total	<u>\$ 89,034</u>

TIDEWATER UTILITIES, INC.
P.S.C. DEL. NO. 6
~~THIRTIETH~~ TWENTY-NINTH REVISED PAGE NO. 25
CANCELING
TWENTY-NINTH EIGHTH REVISED PAGE NO. 25
~~MAY 23, 2019~~ NOVEMBER 26, 2018
EFFECTIVE DATE: JULY ~~JANUARY~~ 1, 2019

7. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE:

In addition to the net charges provided for in items 1. and 2. of this Tariff Schedule of Rates, a charge of 2.80~~1.72~~% will apply to all charges for bills rendered on or after July~~January~~ 1, 2019.

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

8. BULK WATER CONTRACT SALES

- a) Ocean View – Under contract, the Town of Ocean View is charged \$4.8024 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Town of Ocean View water distribution system.
- b) Dover Air Force Base – Off Base Housing – Under contract, Dover Air Force Base Housing – Eagle Meadows/Heights is charged \$12.2609 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Eagles Heights and Eagle Meadows Housing subdivision water distribution systems.
- c) Southern Shores – Under contract, Southern Shores Water Company is charged \$5.6116 per thousand gallons of consumption registered through the meter(s) at the interconnection with Southern Shores water distribution systems.